Payday Lenders Targeting Seniors

Report finds lenders clustering near senior housing

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Predatory lenders are zeroing in on the elderly and disabled, targeting their government-backed Social Security payments, *The Wall Street Journal* reports.

"These people always get paid," said the former manager of a payday lender operating in Washington, D.C. and its Virginia suburbs, the newspaper reported.

Unlike low-paid workers, who may work only sporadically, the elderly and disabled can count on their Social Security check every 30 days, the former lender said.

Although federal law prohibits lenders from attaching Social Security payments in most circumstances, lenders are working directly with banks, arranging for borrowers to have their government checks deposited directly into their bank accounts.

When the funds are deposited, the banks immediately transfer funds

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to the lender, who subtracts the debt repayment, as well as fees and interest that can reach 400 percent or more per year. If anything is left, it goes to the recipient.

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Consumer activists, senior service organizations and legal aid lawyers say they are seeing a fast-growing number of elderly and disabled people struggling to live on what's left after their monthly loan payments are taken out of their bank accounts.

The Social Security Administration says that it isn't responsible for what happens once the benefits are paid out and says privacy rules prohibit it from monitoring recipients' bank accounts.

The *Journal* contracted with a California State University-Northridge geography professor who analyzed data from the U.S. Department of Housing and urban Development (HUD), finding that payday lenders are increasingly clustering around government-subsidized housing for seniors and the disabled.

The geographer, Steven Graves, previously conducted a similar study that was cited by the Defense Department in its attempt to cap interest rates charged to members of the armed forces.

Industry's claims

Payday lenders claim that they provide a useful service to consumers who otherwise would have to turn to loan sharks when they run short of cash.

Late last year, the payday lending industry's trade group, Community Financial Services Association (CFSA), issued a working paper that claimed working families are worse off in states with strong consumer lending laws.

The paper claimed that families are worse off in two states that no longer have payday lending -- Georgia and North Carolina. But it is replete with methodological errors that make its tentative findings flawed, consumer advocates charged.

Payday loans trap borrowers in loans they cannot afford to pay off at interest rates in the range of 400 percent. Payday lenders have had to stop operating in a dozen states that have interest rate caps at or around 36 percent for consumer loans.